

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 IGA-01 AID-05 SS-15 SP-02 L-01 EB-04

MMS-01 OMB-01 TRSE-00 OES-02 AGR-05 NSC-05 SSO-00

NSCE-00 INRE-00 CIAE-00 INR-05 NSAE-00 RSC-01 ARAE-00

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC IMMEDIATE 3156

C O N F I D E N T I A L QUITO 7429

E.O. 11652: GDS

TAGS: PFOR, EC

SUBJ: AID PHASE-OUT

REF: A. QUITO 6989; B. QUITO 7166; C. QUITO 7300

1. ON OCTOBER 31, USAID DIRECTOR CODY MET WITH GOE PRESIDENTIAL ADVISOR, DR. LUIS MALDONADO, AND HIS SON, PATRICIO MALDONADO, WHO IS A USAID EMPLOYEE. DR. MALDONADO, PRIMARILY A JOURNALIST BY PROFESSION WHO HAS ALSO SERVED IN DIPLOMATIC POSTS, IS A LIFE LONG FRIEND OF PRESIDENT RODRIGUEZ LARA. THEY ARE BOTH FROM THE SMALL SIERRA TOWN OF PUJILI.

2. THE PROPOSED USAID PHASEOVER WAS OUTLINED TO DR. MALDONADO AND IN RESPONSE TO A QUESTION, CODY EXPLAINED THAT THIS PROPOSAL HAD BEEN DEVELOPED OVER A CONSIDERABLE PERIOD OF TIME IN RESPONSE TO CHANGING FINANCIAL CIRCUMSTANCES HERE IN ECUADOR AND WORLD-WIDE. IT WAS IN NO WAY RELATED TO IMMEDIATE POLITICAL OR OTHER ISSUES. DR. MALDONADO WAS PARTICULARLY CONCERNED THAT THE PRESIDENT WOULD THINK IT WAS RELATED TO HIS (RODRIGUEZ'S) REFERENCE IN A RECENT SPEECH TO A SUPPOSED USG POSITION ON THE ADA CASE REPORTED (INACCURATELY) TO THE GOE BY THEIR CHARGE IN WASHINGTON.

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3. DR. MALDONADO SAID HE WOULD DISCUSS THE MATTER OF THE USAID PHASEOVER WITH THE PRESIDENT AND INFORM CODY OF THE OUTCOME OF THE CONVERSATION.

4. ON NOVEMBER 4, PATRICIO MALDONADO, ON BEHALF OF HIS FATHER, REPORTED THE PRESIDENT'S REACTIONS AS FOLLOWS: THE PRESIDENT PERSONALLY SAW THE NEED FOR THE PROPOSED ACTIONS BUT SAID THE TIMING SEEMED TOO MUCH LIKE AN ULTIMATUM RATHER THAN A NEGOTIATED SOLUTION, I.E., SIGN THE GRANT PROAGS NOW AND WITHIN SIX MONTHS OR LESS THE FOLLOW-ON LOAN. IF FACED WITH A 'YES' OR 'NO' DECISION ON THE LOAN ON THAT BASIS, AS PRESIDENT OF A NATIONALIST REVOLUTIONARY GOVERNMENT, HE WOULD HAVE TO SAY "THANKS BUT NO THANKS." HE DID NOT SAY WHETHER HE WOULD AUTHORIZE THE SIGNING OF THE PROAGS FOR FY 75 (HIS CY 75) BUT IT COULD BE ASSUMED THEY PROBABLY WOULD HAVE BEEN SIGNED BEFORE THE NEGATIVE LOAN DECISION WOULD FORMALLY HAVE TO BE MADE.

5. ON THE OTHER HAND, IT WAS REPORTED IF THE PRESIDENT COULD INDICATE TO HIS CONSTITUANCY THAT THE PHASEOVER TO REIMBURSABLE TECHNICAL ASSISTANCE HAD BEEN MUTUALLY NEGOTIATED OVER A LONGER PERIOD (FOR PUBLIC CONSUMPTION--TWO YEARS), THEN THIS WOULD BE SALEABLE. HE RECOMMENDED THAT WE CONTINUE GRANT FUNDS FOR FY 75 AND FY 76 AND NEGOTIATE THE LOAN IN FY 76. IT COULD BE ASSUMED THAT THE LOAN DISBURSEMENT PERIOD COULD BE FOR ONE YEAR INSTEAD OF OUR PROPOSED YEAR AND A HALF, THUS, IN FACT, EXTENDING THE PERIOD OF GRANT OR CONCESSIONAL AID TO ECUADOR FOR ONLY SIX MONTHS BUT REQUIRING THAT THE LOAN BE FINANCED FROM FY 76 INSTEAD OF FY 75 FUNDS.

BREWSTER

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